

WHAT IS CLAIMED IS:

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1. A method of optimizing market and institutional risks in foreign currency exchange hedging, said method comprising the steps of:
- 5 selecting a VaR calculator;
- determining optimization procedure to be used;
- using the VaR calculator and the optimization procedure to determine an efficient frontier line; and
- 10 choosing trade-offs between institutional risk and market risk of losses.
2. A method as set forth in claim 1 wherein said step of selecting comprises selecting the VaR calculator based
- 15 on judgment of its suitability for calculation of the institution's foreign currency exchange risk.
3. A method as set forth in claim 1 wherein said step of determining comprises determining the optimization
- 20 procedure based on a user's judgment of each method's efficiency in finding optimal solutions for the application at hand.

4. A method as set forth in claim 1 wherein said step of using comprises using management judgment to choose between tradeoffs based on in total portfolio risk and hedging risk.

5. A method as set forth in claim 1 wherein said step of choosing comprises choosing by senior management.

6. A method of optimizing market and institutional risks in foreign currency exchange hedging, said method comprising the steps of:

selecting a VaR calculator;
determining optimization procedure to be used;
using the VaR calculator and the optimization procedure to determine an efficient frontier line; and
choosing using management judgment between trade-offs in total portfolio risk and hedging risk.